canadian cablesystems limited annual report 1975

Canadian Cablesystems Limited
and Subsidiary Companies

HIGHLIGHTS

	1972	1973	1974	**1975**
Financial ('000)				
Earnings from cable operations and investment income (after tax)	$ 1,446	$ 2,037	$ 2,139	**$ 2,507**
Equity in earnings of Famous Players Limited	1,488	1,627	2,225	**3,422**
Equity in losses of Edmonton World Hockey Enterprises Ltd.	—	(164)	(273)	**—**
Net earnings (before extraordinary items)	$2,934	$3,500	$4,091	**$ 5,929**
Cash flow from operations	3,878	4,735	6,285	**8,410**
Capital expenditures	2,736*	2,852*	6,427*	**8,835**
Net fixed assets	10,185	11,215	19,453	**24,175**
Bank loans and long-term debt	5,308	2,013	9,670	**8,457**
Deferred taxes	943	1,354	2,089	**2,808**
Shareholders' equity	45,895	48,390	52,544	**56,908**
Total invested capital	$52,146	$51,757	$64,303	**$68,173**
Average number of shares outstanding	3,739	3,915	3,919	**3,970**
Per Share				
Net earnings, before extraordinary items	$ 0.78	$ 0.89	$ 1.04	**$ 1.49**
Cash flow from operations	1.04	1.21	1.60	**2.12**
Dividends	0.28	0.28	0.28	**0.31**
Shareholders' Equity	12.27	12.36	13.41	**14.34**
Share price – high**	23.25	19.50	18.75	**15.00****
– low**	14.50	13.50	7.63	**10.00****
Subscriber Data				
Total subscribers at year-end	249,000	292,000	348,000	**374,000**
Households passed by cable	411,000	435,000	469,000	**495,000**
Penetration	60.6%	69.7%	74.2%	**75.5%**
Canadian Cablesystems' equity in total subscribers	195,000	231,000	338,000	**359,000**

*Capital expenditures are those incurred by wholly owned subsidiaries from date of acquisition and therefore exclude expenditures by the London, Pine Ridge and Jarmain systems prior to January 31, 1974.

**Calendar years; 1975 prices are to November 30th.

no. Nov. 30

REPORT TO THE SHAREHOLDERS

see notes

Consolidated earnings for the year, before extraordinary items, were $5,928,665 or $1.49 per share, as compared with $4,091,147 in 1974, an increase of 45%. Extraordinary losses of $492,950, principally due to the writing down of an investment, reduced final earnings for the year to $5,435,715. Net earnings in 1974 were $4,641,033 after an extraordinary gain of $549,886 on the sale of an investment.

The statement of earnings includes the revenues, costs and earnings for London Cable TV Limited, Jarmain Cable TV Limited and Pine Ridge Cable TV Limited for the twelve months ended August 31, 1975. Canadian Cablesystems acquired the remaining shares of these companies not previously owned, on January 31, 1974. Prior to that date the Company's equity in the earnings of these companies was included in "Equity in earnings of associated cable companies". Accordingly, the revenues and costs shown for the twelve months to August 31, 1974 included the revenues and costs of these companies only for the months of February through August of 1974.

Revenues from cable operations for 1975 were $18,762,334. The revenue from the London, Jarmain and Pine Ridge companies for the five months to January 31, 1974 was $1,996,578 so that a comparable pro-forma figure for cable service revenue for 1974 would be $15,059,288. The year-to-year increase in revenue of 25% reflects an increase in subscribers on service from 348,200 at August 31, 1974 to 373,900 at August 31, 1975, together with increased revenue from bulk contracts, converter rentals and rate increases in most systems.

Famous Players Limited experienced a substantial improvement in earnings to $7,004,000 in 1975, an increase of 54% over 1974. These excellent results can be attributed to 19% higher theatre revenues during the year, which flows from the ongoing conversion to multi-screen theatres, together with the availability of outstanding film attractions and a discernable trend toward increased ? movie attendance. Increased profits from real estate operations included a gain on land sales after income tax amounting to $2,650,000 ($1,528,000 * in 1974).

In July, the Company reported to shareholders the formation of CableSat Limited, a joint venture with Agra Industries Limited. CableSat is not in commercial operation at the present time, pending a favourable policy statement on pay television from the CRTC.

Significant regulatory activity took place in the cable television industry during the past year, highlighted by public hearings before the CRTC in April and June. Major proposals concerning areas to be served, station carriage priorities, community programming, financial disclosure and pay television were discussed, and, in November 1975 new regulations were introduced dealing with the first two subjects, among other matters. However, with the exception of recently announced financial disclosure requirements, the Commission has not introduced its new policies on the remaining subjects. In recent months, considerable attention has been given by the media to the deletion of advertisements from U.S. television signals, a requirement imposed by the Commission in a number of systems as a condition of license renewal; this subject is discussed elsewhere in this report.

offect of CRTC rulings?

During the year, the restructuring of the organization that resulted from the merger with the Jarmain group of companies has been completed. Policies, procedures, financial planning and reporting practices have been standardized and integrated. Marketing and engineering functional support groups are pursuing programs designed to improve service to subscribers and achieve greater productivity. To advance and upgrade the effectiveness of the organization, management has embarked upon a company-wide personnel development program, utilizing professional assistance from outside the Company. This program has been received enthusiastically and has resulted in clearly perceptible improvements in teamwork and individual effectiveness.

Famous Players Limited has relocated its real estate operations at corporate headquarters and centralized financial administration. Federal and provincial governments began to take steps during the year to institute quotas on theatres to ensure exhibition of Canadian films and to encourage theatre operators to contribute funds towards the production of Canadian feature films. Famous Players has been providing funds for this purpose since 1969, the only motion picture exhibitor to do so, and recently announced that it will contribute $1,200,000 this fiscal year. Following Famous Players' lead, another major Canadian theatre chain will provide $500,000 in 1975, making a total contribution of $1,700,000 towards building the Canadian feature film industry.

The extraordinary loss item shown in the earnings statement relates primarily to the Company's investment in the Edmonton Oilers. Although the team enjoyed increased attendance last year it continues to operate in a loss position. Negotiations are now under way with the other shareholders of the Club that contemplate Canadian Cablesystems relinquishing its share interest in the Club and deferring payment of the 8% debenture owing by the Club to the Company. In view of this, it has been deemed prudent to write down the Company's investment to a nominal value. Accordingly, the earnings statement includes a provision against the investment of $435,000 which, when added to losses previously recorded under equity accounting practices, reduces the carrying value of the Company's investment in the Edmonton Oilers to a nominal amount.

see accounts for amount.

In recent months the Company has completed a corporate reorganization of its cable interests. This reorganization only affects the corporate structure of the subsidiaries and no changes are to be made in their method of operation. Metro Cable TV Limited acquired from the Company all of the Company's cable television interests other than Hamilton Co-Axial and Alberni Cable Television. Metro Cable and Hamilton Co-Axial were then amalgamated and are continued as Canadian Cablesystems (Metro) Limited. The other companies,

Anthony Griffiths, Chairman and Chief Executive Officer.

W. Edwin Jarmain, President.

Anthony Gooch, Vice-President, Finance.

namely, London Cable TV Limited, Pine Ridge Cable TV Limited, Grand River Cable TV Limited, Jarmain Cable TV Limited, Cornwall Cablevision Inc., and Cablesystems Engineering Limited were amalgamated and are continued as Canadian Cablesystems (Ontario) Limited, a wholly-owned subsidiary of Canadian Cablesystems (Metro) Limited which, in turn, is a wholly-owned subsidiary of the Company. The reorganization was designed to provide a strong base for future financing of cable operations and to simplify the corporate structure, by creating an entity which holds directly and indirectly all of the Company's cable operations. Negotiations with the Company's underwriters are well advanced with respect to a long-term debt issue by this cable subsidiary. The proceeds of such an issue would be used to retire bank loans. The timing of the issue is subject to market conditions.

Eugene Fitzgibbons, Vice-President, Corporate Development.

Looking ahead for the remainder of the current fiscal year, it is anticipated that the effects of inflation will continue to place pressure on operating costs. Your Board of Directors has considered the Anti-Inflation Program of the Federal Government tabled in the House of Commons on October 14, 1975, and the Company intends to operate in accordance with this program. At this writing, it is difficult to determine the effect of the guidelines on the Company, as the regulations have not been promulgated. Growth in new subscribers will be affected adversely by a continuing low level of housing starts and the uncertain economic outlook, while capital expenditure requirements for maintaining and rebuilding systems will remain heavy. Nevertheless, the overall demand for cable television and its expanded services, together with the approved rate increases to date, should result in continued growth in cable profits. The prospects for Famous Players continue to remain bright and there is every indication that the trend toward increased theatre revenues, through increased attendances, will continue during the year. The real estate operations of Famous Players are encouraging and the highlights are provided later in this report.

The Company's quarterly dividend was increased from 7¢ to 8.5¢ per share commencing with the dividend payable on June 30, 1975.

At a meeting of the Board of Directors in November 1975, the undersigned was elected Chairman of the Board and Mr. W. Edwin Jarmain became the President.

The success enjoyed by the Company in the past year is largely attributable to the enthusiasm and dedication of all personnel. To them the Board extends sincere appreciation.

On behalf of the Board of Directors

A F Griffiths

ANTHONY F. GRIFFITHS
Chairman and
Chief Executive Officer

Toronto, Ontario.
December 10, 1975.

CABLE TV OPERATIONS

The gains made by the Canadian Cablesystems group of companies in subscribers, revenues, and profitability were gratifying in light of the generally adverse business conditions that prevailed during the year. Nevertheless, the results that had been hoped for were not fully achieved, particularly in the area of subscriber growth, where the rate of net additions was down by approximately one-third (after excluding the extraordinary increase resulting from the Toronto-wide apartment agreement concluded last year). This shortfall was due to sharply reduced housing starts as well as generally greater caution on the part of consumers.

During the year, converter service was introduced in several more systems and certain fundamental changes occurred in converter marketing practices. All of the systems in which Canadian Cablesystems has an interest are now, or soon will be, carrying more channels than can be received on a standard TV set. The cost of providing this expanded channel service is being recovered through increases in the basic monthly charge to all subscribers. To access these additional channels, subscribers may obtain a converter from the Company on a rental or purchase basis, or buy one from a number of retail outlets. The Company is presently offering subscribers a push-button converter unit, which also serves as a remote control unit, for $89.95 or $3.00 per month ($99.95 or $3.50 per month for an "on-off" model). By year end 31,000 units had been sold or rented to subscribers. not much

To provide additional channel capacity, most of the Company's systems have been or are being extensively modernized, requiring major capital expenditures in the replacement of amplifiers and other electronic devices. By the end of fiscal 1975, the largest part of this program had been completed with most of the remainder scheduled to occur in fiscal 1976. *

Perhaps the most significant development during the year was the implementation of rate increases in a number of systems with the approval of the CRTC. These well-justified and, in some cases, long-awaited rate increases were a welcome relief in the face of continuing cost inflation.

In February 1975 the CRTC announced new regulatory proposals which were the subject of public hearings in April and June. In November new regulations were introduced covering a number of matters, including areas to be served and station carriage priorities; in the main these were a codification of practices that had been in force for some time. Of greater interest and concern, however, were a series of policy proposals covering community programming, pay TV, and financial disclosure. One of these proposals was for cable television systems to spend 10% of gross subscriber service revenues on community programming. Many strong arguments were advanced regarding the inappropriateness of such a requirement and management is optimistic that when a policy is finally announced it will be a reasonable one. Regarding pay TV, prospects are uncertain for the cable television industry to receive permission to proceed at this time. Finally, the issue of public financial disclosure by cable companies was thoroughly debated, culminating in a recent announcement by the CRTC requiring that future rate increase applications be accompanied by audited financial statements which will be made available to the public.

The Company continues to build a record of improvements in service to its subscribers, leadership in the industry, and growth in revenues and profits. The forthcoming year will no doubt be exciting with new opportunities, challenges and controversies – these characteristics are endemic to the cable television industry.

The tower at the head-end supports an array of specially designed and positioned antennae that receive each of the signals carried by the system.

Racks of electronic equipment at the head-end process, filter and amplify the received signals before they enter the transmission system.

Amplifiers such as those being installed in this picture are positioned throughout the cable at intervals of approximately ⅓ mile and restore the signal to its full strength.

Metro Cable TV

Canadian Cablesystems' largest operating company added 5,200 subscribers in the period under review to achieve a total of 112,800. Penetration of households passed by cable in its licensed areas of Metropolitan Toronto, Mississauga and Burlington, Ontario currently stands at 74%.

The company's modernization program, which commenced in 1974 to provide expanded channel capacity and converter service to all licensed areas, was largely completed during the past year. At August 31, 1975, Metro Cable TV had 21,000 converters sold or rented as compared to 6,000 units at the end of the previous 12 month period. During 1975, the company moved to new premises which, in addition to expanding the space available for administrative offices and technical services, made a substantial improvement in colour studio facilities for cablecasting local community programming.

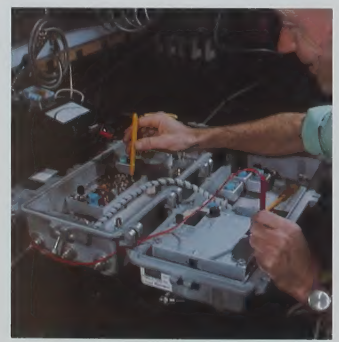
In existing residential areas cable is usually strung on telephone poles, but in new subdivisions it is buried, along with other services, in trenches.

Metro received permission from the Canadian Radio-Television Commission early in 1975 to increase its subscriber rate by $1.00 per month per outlet, which was necessary to meet increased operating costs.

Grand River Cable TV

This system embraces the rapidly expanding communities of Kitchener, Waterloo, Cambridge and Stratford, as well as neighbouring communities, representing a household potential of 107,000 as compared to 101,000 in 1974. During the year, the company added 4,500 subscribers for a total of 82,100 on service, reflecting a penetration of 77%. At August 31, 1975, 9,000 converters had been rented or sold.

Grand River recently added colour equipment to its cablecasting studio facilities which will supplement the excellent local community programming the system is providing.



The amplifier shown above is typical of the highly sophisticated electronic equipment used in a cable system, all of which must be checked thoroughly before installation.

The company currently is planning to install a broadband microwave distribution system to relay signals to the four cities, two towns and eight villages it already serves. The new microwave system, with its transmitter located southwest of Kitchener, is expected to cost $1,300,000. The application of broadband microwave in the Grand River system is essential to providing quality signals throughout the licensed area, which has more than 875 miles of distribution network scattered over fourteen communities. This improved method of transmission will eliminate the signal degradation caused by the very long trunk lines now in use.

The company received permission from the CRTC in July 1975, to increase its basic monthly fee from $4.50 to $5.50, which has now been implemented. The new rate will assist in defraying the cost of providing the expanded channel service and in financing the anticipated capital outlay for the microwave distribution system.

The laboratory of Cablesystems Engineering evaluates products used by the Company and carries out on-going research and development.

Hamilton Co-Axial

Hamilton Co-Axial achieved a penetration of 82% during the past year adding 900 subscribers for a total of 33,700 on service out of a potential of 41,000 households.

Hamilton Co-Axial's entire system of some 200 miles of distribution network is modernized and providing converter service, although the number of additional channels available on the converter service is limited. The company has applied to the CRTC for permission to add CITY-TV, Channel 79, Toronto, to the converter service.

The company obtained CRTC approval to increase its monthly service fee from $4.65 to $5.50 during the past year which became effective in January, 1975.

Each system must keep an inventory of a wide range of spare parts so as to ensure prompt customer service.

Cornwall Cablevision

The company obtained a penetration of 90% in fiscal 1975, adding 600 new subscribers for a total of 13,100 out of wired potential of 14,500.

The rebuilding of the Cornwall system as a "dual cable" network, which does not require converters to obtain additional channels, is proceeding and should be approaching completion by the end of this fiscal year. The dual cable network will be the only one of its kind in Canada and will have a potential capacity of 42 channels. This unique system is especially suitable for Cornwall's market area because of the number of Canadian priority off-air channels available from Montreal and Ottawa, all of which must be carried, under the proposed regulations, despite the duplication of service.

Known as a "cherry-picker", this unit enables fast, efficient service of overhead amplifiers and other devices.

London Cable TV

The London system was one of the first to be established in Canada and, by industry norms, should have levelled off in terms of subscriber growth. However, the company added 1,800 new subscribers in the period ended August 31, 1975 for a total of 54,400 on service, representing a remarkable penetration of almost 91%.

The company has embarked on a major rebuild of its system to expand channel capacity and has now completed approximately 20% of the modernization program. The rebuild program is scheduled for completion in 1977.

Each of our systems make their studios available to members of the community, such as these students, for the production of local interest programs.

The company applied to the CRTC in February 1975 for permission to increase its monthly service charge from $5.00 to $6.00, representing the first rate increase to its subscribers in over 15 years of operation. Due to an intervention concerning financial disclosure which arose when the application was heard at the CRTC's February public hearing in Toronto, approval was not obtained until October 29, 1975. Implementation of the increase is planned in two stages: 50¢ effective December 1, 1975, and a further increase of 50¢ on an area-by-area basis as expanded service is introduced. The Consumers' Association of Canada has now instituted legal proceedings in an attempt to quash the CRTC's decision in this matter on the grounds that sufficient financial information was not disclosed to the public prior to the hearing.

One of the advantages of cable TV is a multiplicity of choice in entertainment and information. With this converter subscribers are receiving up to 22 channels – many more than are available off air.

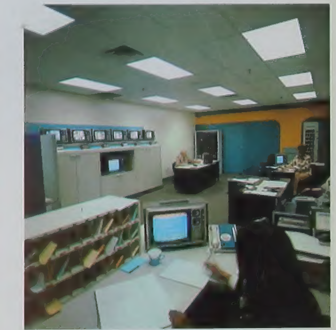
Pine Ridge Cable TV

This system which services the communities of Oshawa, Whitby, Bowmanville and Brooklin, Ontario added 2,000 subscribers during the year, achieving a total of 24,700 subscribers, a penetration of 59%.

In March, the company received permission from the CRTC to increase its monthly service fee from $4.95 to $5.50 and concurrently introduced converter service.

The CRTC recently approved the expansion of Pine Ridge's licensed areas, adding approximately 1,200 homes. It is anticipated that the newly licensed areas will eventually double the system's potential.

During the past year, Mr. Lorne F. McFadden, who formerly managed the Brantford system, was appointed Vice-President and General Manager of Pine Ridge, assuming operating responsibility for the system from Mr. W. J. Leask, who continues as President of the company.



The dispatch room is the heart of the service operation. All channels are monitored for quick diagnosis and all service trucks are connected to the dispatch office by two-way radio.

Jarmain Cable TV

Jarmain Cable TV operates cable systems in the communities of Brantford and Paris, and also in Newmarket, Bradford and Holland Landing, Ontario.

During the past fiscal year, the Brantford system added 1,200 subscribers achieving a total of 19,800 on service, reflecting a penetration of 78% of the households to which cable service is available. The Newmarket system experienced a growth of 860 households in its licensed area and the company was successful in adding 700 new subscribers to its system for a total of 7,700, representing a penetration of 88%.

Mr. James A. Yardy was transferred from the Newmarket system to become Vice-President and General Manager of the Brantford-Paris operation. In Newmarket, Mrs. Mary Blackwell has been appointed General Manager.

Chatham Cable TV Limited

Canadian Cablesystems holds a 50% interest in the Chatham system, which added 700 subscribers for a total of 9,300 out of a potential of 13,200, representing a penetration of 70% at August 31, 1975.

In July, the CRTC approved a rate increase for the monthly service fee from \$4.75 to \$5.50, which became effective September 1, 1975. The Commission also approved the introduction of converter service which will be implemented early in 1976 when the satellite transmitters of OECA (educational channel) and CBLFT (French language) commence operation.

Kingston Cable TV Limited

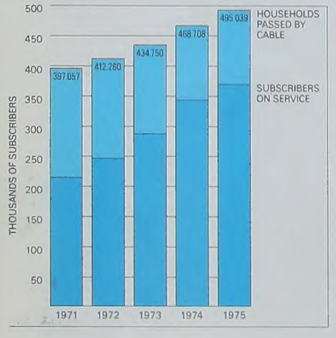
Canadian Cablesystems acquired a 50% interest in Kingston Cable TV Limited in January 1974. The Company has made excellent progress and, for the twelve month period ending August 31, 1975, it added 7,200 subscribers for a total of 10,000 out of a wired potential of 24,300, a penetration of 41%. Construction of the system commenced approximately two years ago and the licensed area is now completely wired.

Construction provided for expanded channel capacity and the company has applied to the CRTC for permission to introduce converter service during this fiscal year. In its application, the company has requested a rate increase of \$1.00 per month, per outlet.

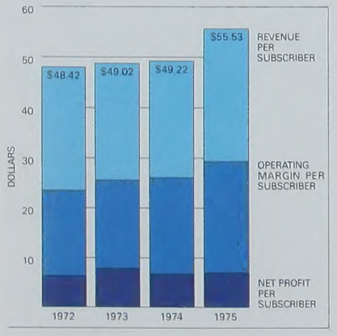
Cableshare Limited

Canadian Cablesystems owns a 50% interest in Cableshare Limited, an on-line data processing company located in London, Ontario. On-line subscriber data processing is provided to companies in the Canadian Cablesystems' group and all of the Company's general ledger accounting is handled by the Cableshare computer.

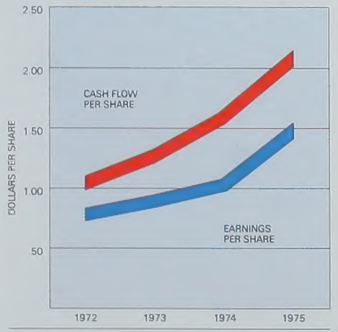
A DEC 11/40 computer was originally purchased to provide data processing services for the Jarmain group of cable companies only and did not have the capacity to service the additional workload from Metro Cable and Grand River Cable TV. Consequently, Cableshare has now acquired a DEC 11/70 computer with a capacity to process all the present workload from the Canadian Cablesystems' group of companies. Cableshare is retaining the original computer as an auxiliary and backup system.



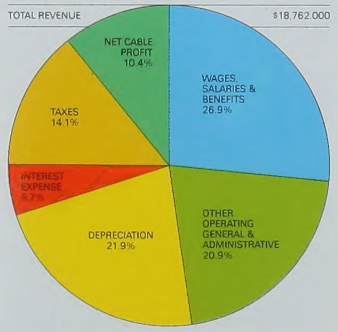
Canadian Cablesystems Limited
Cable Subscriber Growth



Canadian Cablesystems Limited
Average Revenue, Operating Margin and Net Profit per Subscriber



Canadian Cablesystems Limited
Earnings and Cash Flow from Operations



Canadian Cablesystems Limited
How Cable Revenue is Spent

COMMERCIAL DELETION: PIRACY OR PANACEA

Few issues have raised as much controversy in the cable television industry as the decision to require cable television systems to delete commercials from U.S. programs. This section has been included to help shareholders understand the complex issue of commercial deletion.

Since the early 1930's Canada has looked upon broadcasting as an instrument of national policy – a powerful tool to promote national unity and create a Canadian identity. Successive governments have used their fiscal and regulatory powers to bring about national television networks, Canadian content quotas, Canadian ownership requirements, etc. The Broadcasting Act of 1968 says that "the programming provided by each broadcaster should be of high standard, using predominantly Canadian creative and other resources". Without such government intervention, Canadian broadcasting would likely have developed into little more than an extension of the U.S. networks.

Despite this attention, Canadians continue to display a preference for U.S. programs. The fundamental problem is economics. It costs up to \$200,000 per half hour to produce a prime time U.S. situation comedy and, with a revenue potential only one-tenth as great, Canadian TV programs simply cannot compete.

To compound the difficulty, Canadian advertising revenues are escaping to the U.S. First, there is a direct expenditure by Canadian companies on U.S. border stations, estimated at \$15 million per year. Also, because advertisements for products of multi-national companies are viewed by so many Canadians via U.S. border stations, there is a tendency for these companies to spend less on television advertising in Canada – this "spillover" loss has been estimated at another \$35 million per year, although the amount of such loss is obviously difficult to quantify.

Furthermore, while U.S. signals have always been available to Canadians near the border, the recent extension of cable television via microwave to cities such as Calgary, Edmonton and Halifax has undoubtedly reduced the audiences of Canadian stations and diminished their effectiveness as an advertising medium. Some broadcasters see the expansion of cable as destroying the viability of Canadian broadcasting. Some cable spokesmen claim there has been no demonstrable injury due to cable and say that new Canadian content quotas are at the root of any difficulties broadcasters are now experiencing. The truth lies somewhere in between.

In 1971 the CRTC outlined several ways to protect and strengthen Canadian broadcasting in the face of continuing cable TV expansion. The first was "simultaneous non-duplication" of programs (sometimes mistakenly identified as commercial deletion). The cable company simply replaces the signal on the U.S. channel with an identical (except for commercials) Canadian signal. This has not been particularly bothersome for the viewer and has substantially benefitted Canadian broadcasting. The second technique proposed by the CRTC was "commercial deletion". Arguing that U.S. broadcasters have no licence to serve Canada and no right to extract advertising revenues therefrom, the CRTC proposed that Canadian cable television systems delete commercials from U.S. signals distributed to their subscribers. The deleted commercials would be replaced by public service messages. This scheme was not conceived by the cable companies nor would they derive any benefits from it. The whole intent was and is to preserve and enhance the financial viability of Canadian broadcasting and, thereby, foster the production of more and better Canadian programs. Commercial deletion has been implemented by cable systems in Calgary and Edmonton and one in Toronto but, to date, none of Canadian Cablesystems' operating companies have commenced the practice. Recently, however, the licence of Metro Cable TV, as well as other companies in Toronto, Hamilton and London, was renewed subject to the condition that commercial deletion be instituted.

Yet another proposal suggested by the CRTC was to deny Canadian businesses income tax deductibility for expenditure on advertising carried by border stations. An amendment to the Income Tax Act to this effect is now before Parliament and, if passed, it should help to alleviate the loss of revenue. It does not, however, address the "spillover" problem.

In 1971 the CRTC put forth another idea to assist Canadian broadcasting that would have required cable companies to contribute a percentage of their revenues toward the production of Canadian programs that would be broadcast by Canadian stations and networks. This concept was rejected by the cable industry as unjust from the point of view of both the cable companies and their subscribers and there has been no movement toward such a general system of broadcaster subsidies. However, if other solutions are not found, the CRTC might revive this proposal.

Returning to commercial deletion, the Buffalo stations have mounted a publicity campaign and are threatening to jam the reception of their signals in Canada if commercials are deleted from their programs by Toronto cable operators. Canadian Cablesystems is developing suitable contingency plans in the unlikely event these threats are successfully carried out. In the Toronto area, this would probably involve the importation of the three U.S. network stations in Rochester from Pine Ridge Cable TV's antenna site in Oshawa.

Commercial deletion evokes very strong feelings. Some find its ethical implications reprehensible. Others regard it as a proper step forward in the development of Canadian broadcasting. Canadian Cablesystem's management is not inclined to view it as a "black and white" question. The issues are complex. The Company must be concerned about finding solutions that will permit the continued successful development of both broadcasting and cable television in this country.

FAMOUS PLAYERS LIMITED

Famous Players Limited represents the largest single investment of Canadian Cablesystems and, as such, its profit performance continues to exert a substantial influence on the consolidated earnings of the Company. Its consolidated financial statements for the year ended June 30, 1975, are summarized on page 21.

Theatre Division

Famous Players is the leading motion picture theatre circuit in Canada and one of the largest in the world, having an interest in 403 motion picture auditoriums and drive-in screens across Canada. The company has expanded into Europe with the acquisition in 1971 of a 100% interest in the Paramount Opera Theatre, a leading motion picture theatre in Paris, France, which was converted into a five auditorium theatre during the past year. Famous Players also owns a 50% equity interest in a French company, Parafrance Films S.A., which operates 46 auditoriums in 27 theatres in France. Parafrance has an arrangement with S.N. Les Films Oceanic to buy and book films for their combined theatre circuit throughout France, making their joint operation one of the leading theatre circuits in that country.

Following the success of the company's program of conversion from single to multi-screen theatres in Toronto, Famous Players has increased its revenues and profits through the continued development of dual and multi-auditorium motion picture theatres across Canada. These theatres have been, and are being, located primarily in suburban shopping centres, hotels and downtown areas.

Multiple auditoriums in the same building have enabled the company to reduce its operating cost per individual screen due to the more efficient use of staff and theatre facilities. In addition, the company is able to extend the engagement of films by transferring them between large and small auditoriums, depending on attendance, while providing a greater variety of films to the movie patron in one location.

In 1975, Famous Players established dual auditorium theatres in the cities of Kitchener, Regina, Lethbridge and Moncton. A four-auditorium theatre was established in the new Capitol Square complex in Edmonton, and a five-screen auditorium resulted from the multi-screening of the Le Parisien Theatre, Montreal.

In the coming year, the company will open a new dual auditorium in the Hudson's Bay complex at Yonge and Bloor Streets in Toronto, and will complete the conversion of the Capitol Theatre, Windsor, to a triple auditorium, and the Capitol Theatre, London, to a


George P. Destounis, President, Famous Players Limited.

Paramount Opera Theatre, Paris, France.


Lobby entrance to the four-auditorium theatre in Square One, Mississauga, Ontario.


A matinee showing at Richmond Centre, Vancouver.

dual operation. It is also expected that the construction of the new Capitol Theatre, Vancouver, a six-auditorium theatre, will be completed in the coming year. The company is also proceeding with the multi-screening of the Loew's, Montreal, into a five-screen auditorium.

Motion Picture Industry: Increased attendance figures and somewhat higher admission prices in both Canada and the United States during the past year have resulted in a more confident attitude toward motion picture production. As a result, the flow of outstanding product from the leading studios of the world continues and the outlook is for a significant increase in feature film production in the coming year.

Marquee at night, Capitol Square, Ottawa.

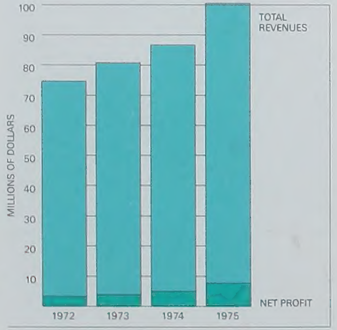
During 1975, Famous Players exhibited such successful motion pictures as "GODFATHER PART TWO", "JAWS" (limited engagements), "TOWERING INFERNO", "THE RETURN OF THE PINK PANTHER", "LONGEST YARD", "ROLLERBALL" and "ALICE DOESN'T LIVE HERE ANYMORE".

Listed elsewhere in this report are some of the outstanding attractions currently playing, as well as feature films that will be exhibited in the coming year.

Dual-auditorium Towne and Countrye Theatre, Toronto.

Investment in Canadian Film Production: Famous Players continues to invest in the production of Canadian feature films to encourage the establishment of a Canadian feature film industry. During 1975, the company participated in the Canadian film productions of "BLACK CHRISTMAS", "IT SEEMED LIKE A GOOD IDEA AT THE TIME", and possibly the most successful Canadian picture this year, "LIES MY FATHER TOLD ME". Recently, it assisted in the financing of "THE FAR SHORE", which the company anticipates will be in general release early in 1976.

Famous Players and another Canadian theatre circuit are investing $1,700,000 in support of the feature film industry in Canada for 1976, of which Famous Players' contribution is $1,200,000.

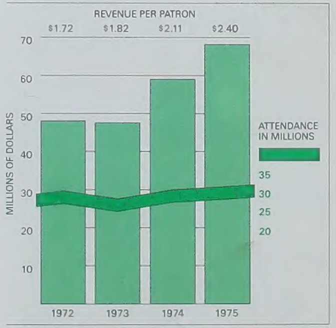


Famous Players Limited
Revenue and Net Profit

Other Interests of Famous Players Limited

General Sound and Theatre Equipment Limited is a wholly-owned subsidiary of Famous Players engaged in the selling of projection and sound equipment and supplying technical services to the motion picture industry. General Sound also supplies intercom installations and public address systems for commercial premises, schools, hospitals and government buildings.

Theatre Confections Limited is also a wholly-owned subsidiary of Famous Players which supplies theatres, arenas, bowling centres, amusement parks and other entertainment centres with a complete confection service. By combining merchandising and innovation of quality products, new and better equipment with efficient management and facilities, Theatre Confections, in 1975, enjoyed its most successful year of operation to date.



Famous Players Limited
Theatre Revenue and Attendance

Real Estate Division

In 1969, Famous Players established a Real Estate Division to appraise and evaluate the land holdings of the company, with particular emphasis on properties located in downtown areas to determine those which would be suitable for development as commercial complexes. Subsequently the division established separate offices in Edmonton, Toronto and Montreal. During 1975, the company combined the real estate operations with the theatre division at the head office of Famous Players in Toronto to improve the co-ordination of real estate activities with those of the theatre division.

During the year the company disposed of certain unprofitable and obsolete theatre properties in wholly-owned and 50% owned companies, reflecting a gain to the company before income tax of $3,123,000.

Dual-auditorium Hollywood Theatre in Toronto.

The following is a summary of real estate developments in which the company is presently participating:

Capitol Square, Ottawa: a 15-storey office building including retail and theatre facilities which is completely leased and is the company's most successful real estate development to date.

Whitehall Square, Edmonton: a residential 600-unit complex established on a 12 acre site, formerly a drive-in property, was recently sold on terms advantageous to the company.

The luxurious interior of the "Imperial Six" in Toronto, the only six-screen theatre in Canada.

Capitol Square, Edmonton: a 20-storey office tower recently completed with four theatre auditoriums and two levels of retail space. Leasing of office space is currently in progress and, due to the excellent location on Jasper Avenue, where the City is constructing a subway, the company anticipates this development will be very successful.

Northstar Inn, Winnipeg: a hotel located in the core of the downtown area consisting of 272 rooms, a dual auditorium theatre and a nine-level parkade as part of the development. The hotel is managed by Canadian Pacific Hotels Limited.

A model of the Capitol Centre development by Famous Players in downtown Montreal, scheduled for completion early in 1976.

Capitol Centre, Montreal: a real estate development located in downtown Montreal immediately north of Place Ville Marie. The 21-storey structure, when completed, will consist of approximately 220,000 square feet of rentable office space, combined with a four-level podium and a concourse providing 65,000 square feet of rentable retail space. The project is scheduled for completion in the spring of 1976.

Capitol Square on Jasper Avenue, Edmonton, completed in October 1975.

CONSOLIDATED STATEMENT OF EARNINGS

	YEAR ENDED AUGUST 31 1975	1974
Revenue		
Cable services	$17,506,358	$12,832,765
Rental and sale of converters	1,255,976	229,945
	18,762,334	13,062,710
Expenses		
Operating, general and administration	8,976,071	6,195,092
Depreciation and amortization	4,112,505	2,820,963
Interest	1,074,332	786,728
	14,162,908	9,802,783
	4,599,426	3,259,927
Equity in earnings (losses) before income taxes of associated cable companies (Note 1 (a) (iii))	(2,665)	349,190*
Earnings before income taxes from cable operations	4,596,761	3,609,117
Investment income	346,255	512,700
Other income	211,542	61,139
	5,154,558	4,182,956
Income taxes (Note 7)		
Current	1,928,869	1,597,908*
Deferred	718,527	445,953
	2,647,396	2,043,861
	2,507,162	2,139,095
Equity in losses of Edmonton World Hockey Enterprises Ltd. (Note 1 (a) (ii))	—	(272,684)
Equity in earnings of Famous Players Limited	3,421,503	2,224,736
Earnings before extraordinary items	5,928,665	4,091,147
Extraordinary items (Note 8)	(492,950)	549,886
Net earnings for the year	$ 5,435,715	$ 4,641,033
Earnings per share (Note 9)		
Before extraordinary items	$1.49	$1.04
For the year	$1.37	$1.18

*Reclassified for comparative purposes.

Metro Cable TV has recently allocated several of its channels to digital information displays, some of which is fed from Cableshare's computers in London. The service provides information such as comparative supermarket prices, airline arrivals and departures, TV guide and stock price listings.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	YEAR ENDED AUGUST 31 1975	1974
Source of funds		
Operations –		
Earnings before extraordinary items	$ 5,928,665	$ 4,091,147
Items not affecting current funds		
Depreciation and amortization	4,112,505	2,820,963
Deferred income taxes	718,527	445,953
Equity in undistributed earnings of Famous Players Limited and associated companies	(2,349,422)	(1,073,331)
	8,410,275	6,284,732
Reduction of long-term notes receivable	1,857,518	523,686
Bank loans	660,000	7,753,000
Issue of shares	158,912	612,900
Proceeds from sale of investments, less applicable income taxes	—	1,847,853
	11,086,705	17,022,171
Use of funds		
Additions to fixed assets (net)	8,835,025	6,426,946
Reduction of bank loans	1,786,000	—
Dividends paid and payable	1,230,120	1,100,372
Long-term notes receivable	166,095	647,533
Investment in shares of other companies	93,500	35,997
Reduction of long-term debt	87,976	95,034
Acquisitions	—	9,343,476
Net current liabilities of acquired companies	—	853,619
	12,198,716	18,502,977
Increase in working capital deficiency	1,112,011	1,480,806
Working capital deficiency at beginning of year	2,219,205	738,399
Working capital deficiency at end of year	$ 3,331,216	$ 2,219,205

Metro Cable TV recently moved into new premises housing technical, cablecasting, sales and the administration staff shown above.

Canadian Cablesystems Limited
and Subsidiary Companies

CONSOLIDATED BALANCE SHEET

ASSETS	AUGUST 31 1975	AUGUST 31 1974
Current assets		
Cash	$ 129,494	$ 146,167
Marketable securities, at cost (market value $1,149,441 ; 1974 – $1,166,995)	594,638	595,638
Accounts receivable	753,533	458,662
Current portion of long-term receivables, including accrued interest	157,748	681,739
Inventories of materials at the lower of cost and net realizable value	415,273	1,109,753
Other assets	143,962	116,591
	2,194,648	3,108,550
Investments		
Long-term receivables, less current portion (Note 2)	954,994	3,575,695
Investments in shares (Note 3)		
– Famous Players Limited	24,661,466	22,291,979
– Associated companies	969,072	552,809
– Other investments	1,737,803	1,644,303
	28,323,335	28,064,786
Fixed assets, at cost (Note 4)	43,619,324	34,961,330
Less: Accumulated depreciation and amortization	(19,443,970)	(15,508,496)
	24,175,354	19,452,834
Excess of carrying value of subsidiaries over book value of underlying assets	19,005,520	19,005,520
	$73,698,857	$69,631,690

Computers are becoming an integral part of a cable TV company's operations. Major current applications are engineering design, subscriber accounting and general accounting.

LIABILITIES AND SHAREHOLDERS' EQUITY	AUGUST 31 1975	AUGUST 31 1974
Current liabilities		
Bank indebtedness	$ 93,593	$ 82,919
Accounts payable and accrued expenses	1,317,242	1,583,093
Dividend payable	337,893	277,209
Income taxes	226,295	531,436
Current portion of long-term debt	87,860	101,943
Prepayments for services	3,462,981	2,751,155
	5,525,864	5,327,755
Bank loans (Note 5)	8,419,000	9,545,000
Long-term debt, less current portion	37,698	125,674
Deferred income taxes	2,807,895	2,089,368
Shareholders' equity		
Capital stock (Note 6)		
Authorized – 16,428,436 common shares without nominal or par value		
Issued – 3,974,676 (1974 – 3,960,124)	13,303,747	13,144,835
Share purchase warrants	1,000,000	1,000,000
Reorganization surplus	6,235,324	6,235,324
Retained earnings	36,369,329	32,163,734
	56,908,400	52,543,893
	$73,698,857	$69,631,690

Approved by the Board

A F Griffiths Director

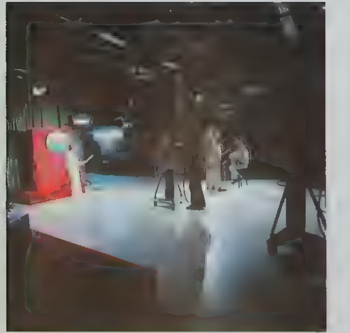
W. Edmund Carmain Director

Systems are linked to Cableshare's computers by terminals that enable remote on-line computer processing.

Canadian Cablesystems Limited
and Subsidiary Companies

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	YEAR ENDED AUGUST 31	
	1975	1974
Balance at beginning of year	**$32,163,734**	$28,623,073
Net earnings for the year	**5,435,715**	4,641,033
	37,599,449	33,264,106
Less: Dividends – 31¢ per share (1974 – 28¢ per share)	**1,230,120**	1,100,372
Balance at end of year	**$36,369,329**	$32,163,734



Shows that are of interest to particular segments of a system's subscribers are one of the keys to community programming. One such program of dance and song is produced at Metro Cable by and for the Jewish community

AUDITORS' REPORT

To the Shareholders of
Canadian Cablesystems Limited:

We have examined the consolidated balance sheet of Canadian Cablesystems Limited and its subsidiaries as at August 31, 1975 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the report of other auditors who have examined the financial statements of Famous Players Limited.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at August 31, 1975 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.

Toronto, Canada
October 31, 1975

Chartered
Accountants

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 1975

1. Accounting policies:

(a) Consolidation –

(i) The consolidated financial statements include the accounts of the Company and all its subsidiaries.

(ii) The Company's investments in Famous Players Limited (48.8% owned), Chatham Cable TV Limited (50% owned), Kingston Cable TV Limited (50% owned) and Cableshare Limited (50% voting shares, 72% non-voting shares owned) are accounted for on the equity basis. Accordingly, the Company's equity in the earnings and losses of these companies is included in the consolidated statement of earnings. The Company's investment in Edmonton World Hockey Enterprises Ltd. is no longer accounted for on an equity basis because provision has been made as an extraordinary loss in 1975 reducing the carrying value of the Company's investment to a nominal amount

(iii) The statement of earnings includes the revenues, costs and earnings for the London, Jarmain and Pine Ridge Cable TV companies for the twelve months ended August 31, 1975. Canadian Cablesystems acquired the remaining shares of these companies not previously owned on January 31, 1974. Prior to that date the Company's equity in the pre-tax earnings of these companies was included in "Equity in earnings before income taxes of associated cable companies". Accordingly, the revenues, costs and earnings shown for the twelve months to August 31, 1974 included only the revenues, costs and earnings of these companies for the seven months February through August of 1974

(iv) The Company reports its equity in the earnings of Famous Players Limited on a two-month delay basis. Accordingly, the Company's equity in the earnings of Famous Players Limited is based on its earnings for its fiscal year ended June 30

(b) Capitalization policy –

The distribution system includes the cost of the head-end, cable and electronic equipment as well as the cost of materials and installation for subscriber connections. During construction or rebuilding phases, only direct costs are capitalized. Accordingly, all interest and overhead costs are expensed in the year in which they are incurred

(c) Depreciation –

The cable, plant and other fixed assets are depreciated over their estimated useful lives as follows

Buildings	– 5% diminishing balance
Tower and head-end	– 15% straight line
Distribution cable	– 10% straight line
Electronic equipment	– 15% straight line
Subscriber drops and devices	– 10% straight line
Converters	– 33⅓% straight line
Other equipment	– mainly 20% and 30% diminishing balance
Leasehold improvements	– over the term of the lease

(d) Income and expenses –

Income from cable services includes earned subscriber service revenue and charges for installations and connections. The cost of the initial subscriber installation is capitalized as part of the distribution system. Costs of subsequent disconnections and reconnections are expensed. Where subscriber service revenue is paid in advance, it is taken into income as earned

(e) Goodwill –

The excess of cost of shares in subsidiary and associated companies over book value which arose prior to March 31, 1974 is not amortized unless the value is impaired

(f) Deferred income taxes –

Deferred income taxes have been provided at prevailing rates and arise mainly from claiming capital cost allowances (depreciation for income tax purposes) in excess of depreciation recorded in the financial statements

2. Long-term receivables:

	AUGUST 31	
	1975	1974
Receivable under Share Purchase Plans, including $353,005 (1974 – $360,911) from officers and directors	**$ 731,787**	$ 611,829
Note receivable 6¾%, repaid in 1975	—	2,022,400
Miscellaneous notes and loans receivable	**378,695**	1,467,469
	1,110,482	4,101,698
Less: Current portion	**155,488**	526,003
	$ 954,994	$3,575,695

3. Investment in shares:

(a) Famous Players Limited –

The carrying value of the Company's investment in Famous Players Limited (48.8% owned) is equal to its equity in the underlying net assets of that company as at June 30, 1975

A summary of the consolidated financial statements of Famous Players Limited for the year ended June 30, 1975 is set out in Note 13

(b) Associated companies –

The carrying value of the Company's investments in associated companies is equal to their written up fair values at January 3, 1971, with subsequent additions at cost, plus the Company's equity in undistributed earnings or losses since that date or since acquisition

The excess of the carrying value of the Company's investment in associated companies over its equity in the book value of their underlying net assets amounted to $853,049 as at August 31, 1975

(c) Other investments –

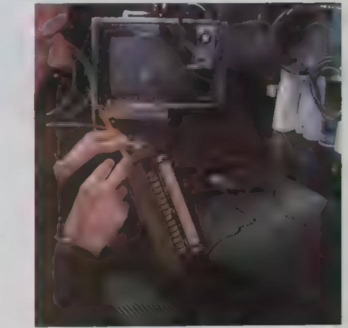
The carrying value of the Company's other investments is equal to their written up fair values at January 3, 1971 plus subsequent additions at cost

4. Fixed assets, at cost:

	AUGUST 31	
	1975	1974 (See (1) below)
Land and buildings	**$ 788,517**	$ 651,388
Tower and head-end	**1,173,342**	917,123
Distribution cable (2)	**12,141,084**	10,312,741
Electronic equipment	**9,677,043**	8,089,680
Subscriber drops and devices	**13,207,076**	11,439,321
Converters	**1,470,092**	502,353
Other equipment	**3,447,127**	2,444,600
Leasehold improvements	**410,972**	325,324
Construction in progress	**1,304,071**	278,800
	43,619,324	34,961,330
Less: Accumulated depreciation and amortization	**19,443,970**	15,508,496
	$24,175,354	$19,452,834

(1) The 1974 figures have been reclassified to conform with the 1975 presentation

(2) The major part of the Company's investment in distribution cable is held under leases from Bell Canada expiring at various dates with original minimum terms of 10 years



All converters are tested and frequency aligned before they are sent out into the field

Charles Latimer, Treasurer.

5. Bank loans:

The bank loans of the Company and its subsidiaries are payable on demand, but arrangements have been made with the Company's bankers to extend payment beyond August 31, 1976. The loans bear interest at rates related to the bank's prime rate. Security is provided by a pledge of 62% of the Company's shares in Famous Players Limited and by a general assignment of the accounts receivable of certain subsidiaries.

6. Capital stock and share purchase warrants:

(a) Share purchase warrants entitling the bearers to purchase 618,992 shares on or before December 31, 1979 have been issued and are outstanding. Each share purchase warrant entitles the bearer to purchase 1.03 common shares at $24.26 which price is subject to downward adjustment under the antidilution provisions of the Share Purchase Warrant Indenture. The Company has reserved 4,632,844 of the authorized common shares under rights attaching to its share purchase warrants of which 618,992 shares are subject to issuance pursuant to the outstanding share purchase warrants.

(b) The Company has been declared to be a "Constrained-Share Company" under provisions of supplementary letters patent dated March 15, 1971 as amended by supplementary letters patent dated April 19, 1973. The effect of this is to restrict to a maximum of 20% the number of shares that may be held by the "constrained-class" consisting of non-Canadians and all others who through direct or indirect shareholdings individually or as a group would jeopardize the licences of the Company's subsidiaries issued pursuant to the Broadcasting Act (Canada).

(c) The Company has an Executive Share Purchase/Stock Option Plan and an Employee Share Purchase Plan. During the year, 14,552 common shares were issued under these Plans for a total consideration of $158,912, which was financed by non-interest bearing loans.

Since August 31, 1975, 12,200 common shares (including 4,700 shares to officers and officers who are directors) have been issued for $158,600 under the Executive Share Purchase Plan. Under the terms of the Employee Share Purchase Plan, the employees have waived their rights to the receipt of dividends until the shares, amounting to 8,975 shares as at August 31, 1975, have been fully paid.

As at August 31, 1975 there were 36,600 shares (including 15,900 shares to officers and officers who are directors) subject to issue under the Executive Stock Option Plan at prices from $13.00 to $13.50 per share expiring in 1979 and 1980.

There are 130,048 authorized common shares set aside and held for allotment under the Plans.

7. Income taxes:

The current provision for income taxes includes $17,400 (1974 – $205,248) in respect of the Company's share of earnings from investments in associated cable TV companies accounted for on the equity basis.

8. Extraordinary items:

	YEAR ENDED AUGUST 31	
	1975	1974
Loss on discount of long-term note receivable, less income taxes of $20,360	**$ (57,950)**	
Provision for loss on investment in Edmonton World Hockey Enterprises Ltd.	**(435,000)**	
Gain on sale of investment, less income taxes of $125,796		$549,886
	$(492,950)	$549,886

9. Earnings per share:

	YEAR ENDED AUGUST 31	
	1975	1974
Basic:		
Before extraordinary items	**$1.49**	$1.04
For the year	**$1.37**	$1.18
Fully diluted:		
Before extraordinary items	**$1.44**	
For the year	**$1.33**	

The basic earnings per share are computed on the weighted average number of shares outstanding during the year of 3,969,858 (1974 – 3,919,520).

Fully diluted earnings per share have been calculated on the assumption that outstanding warrants and options are converted into capital stock and the proceeds invested at a rate of return of approximately 5% after income taxes to yield additional imputed earnings of $751,000.

10. Lease commitments:

Minimum commitments under agreements and leases for the rental of premises and distribution lines amount to approximately $773,000 per annum as at August 31, 1975. Rental expense for the year ended August 31, 1975 amounted to $641,535 (1974 – $595,436).

11. Contingent liabilities:

Under the reorganization effective January 3, 1971 Famous Players Limited assumed liability under all leases pertaining to the theatre business, and provided the Company with a formal indemnity against any loss in this regard. While the Company has been released from its obligations under some of these leases, there are still a great many lease commitments under which it remains contingently liable. The Company's management, however, believes that the Company will incur no liability under these outstanding lease commitments.

12. Remuneration of directors and officers:

	YEAR ENDED AUGUST 31			
	1975		1974	
	Number	Amount	Number	Amount
From Canadian Cablesystems Limited				
As directors	15	$45,250	15	$50,000
As officers*	5	270,943	6	218,137
From subsidiaries				
Metro Cable TV Limited	2	900	2	850
Hamilton Co-Axial Limited	1	350	1	350

*Three of the officers are also directors of the Company.

13. FAMOUS PLAYERS LIMITED

Consolidated Statement of Earnings and Retained Earnings

	YEAR ENDED JUNE 30	
	1975	1974
Revenue	**($'000)**	($'000)
Theatre and other revenue	**$ 89,359**	$ 74,925
Property rental income	**8,943**	7,989
Proceeds from disposal of property	**1,985**	3,677
	100,287	86,591
Cost of sales		
Film, advertising and other costs	**43,465**	35,867
Hotel cost of sales	**1,238**	1,160
Cost of property sold	**767**	1,749
	45,470	38,776
	54,817	47,815
Operating expenses	**44,224**	38,552
	10,593	9,263
Other income and expense (net)	**279**	298
Equity in earnings of non-consolidated affiliates and partnerships before income tax, including in 1975 gain on sale of real estate of $1,900,000	**2,970**	417
Operating income	**13,842**	9,978
Interest expense, net of interest income	**2,027**	1,974
Earnings before income taxes	**11,815**	8,004
Income taxes		
Current	**4,431**	3,193
Deferred	**267**	120
	4,698	3,313
Earnings before minority interest	**7,117**	4,691
Minority interest in net income of subsidiaries	**113**	137
Net earnings	**7,004**	4,554
Retained earnings, at beginning of year	**6,063**	3,519
	13,067	8,073
Dividends paid	**2,153**	2,010
Retained earnings, at end of year	**$ 10,914**	$ 6,063

Consolidated Balance Sheet

	JUNE 30	
	1975	1974
	($'000)	($'000)
Current assets	**$ 8,794**	$ 6,775
Investments and advances	**7,027**	5,810
Fixed assets, at cost	**130,566**	120,561
Less: Depreciation	**(43,373)**	(43,833)
	87,193	76,728
	$103,014	$ 89,313
Current liabilities	**$ 16,803**	$ 12,152
Deferred income taxes	**2,770**	2,503
Long-term debt	**31,791**	28,210
Other non-current liabilities	**972**	533
Minority interest	**195**	283
Total liabilities	**52,531**	43,681
Capital stock	**32,934**	32,934
Contributed capital	**6,635**	6,635
Retained earnings	**10,914**	6,063
Shareholders' equity	**50,483**	45,632
	$103,014	$ 89,313

Consolidated Statement of Changes in Financial Position

	YEAR ENDED JUNE 30	
	1975	1974
	($'000)	($'000)
Funds provided		
From operations:		
Net earnings	**$ 7,004**	$ 4,554
Depreciation	**3,410**	3,203
Deferred income taxes	**267**	120
Equity in undistributed earnings	**(2,262)**	(2)
Minority interest and other charges	**596**	144
	9,015	8,019
Decrease (increase) in advances to affiliated companies	**2,118**	(817)
Increase in long-term debt	**6,644**	—
Other	**9**	54
	17,786	7,256
Funds applied		
Capital expenditures (net)	**13,875**	8,225
Decrease in long-term debt	**3,063**	1,062
Dividends paid	**2,153**	2,010
Other	**1,327**	191
	20,418	11,488
Decrease in working capital	**$ 2,632**	$ 4,232

The "Imperial Six" theatre on the Yonge Street summer mall, Toronto.

INTERESTS IN CATV SYSTEMS

	Percentage Interest of the Company	Households Passed By Cable	Number of Subscribers as at August 31, 1974	Net Additions	as at August 31, 1975	% Penetration
Wholly-Owned						
Cornwall Cablevision	100%	14,537	12,549	**570**	13,119	90.25%
Grand River Cable TV	100%	106,932	77,576	**4,537**	82,113	76.79%
Hamilton Co-Axial	100%	41,000	32,755	**941**	33,696	82.18%
Jarmain Cable TV – Brantford	100%	25,469	18,610	**1,188**	19,798	77.73%
– Newmarket	100%	8,768	7,038	**699**	7,737	88.24%
London Cable TV	100%	59,828	52,552	**1,844**	54,396	90.92%
Metro Cable TV	100%	152,264	107,596	**5,181**	112,777	74.07%
Pine Ridge Cable TV	100%	41,703	22,703	**1,971**	24,674	59.17%
Associated						
Chatham Cable TV Limited	50%	13,238	8,581	**706**	9,287	70.15%
Kingston Cable TV Limited	50%	24,300	2,737	**7,224**	9,961	40.99%
Alberni Cable Television Limited	20%	7,000	5,548	**795**	6,343	90.61%
		495,039	348,245	**25,656**	373,901	75.53%
Canadian Cablesystems' Equity in Above		470,670	338,146	**21,055**	359,201	76.32%

INTERESTS IN TELEVISION

Bushnell Communications Limited	6.3%
Tele-Capital Ltd. – Télé-Capitale Ltée	18%

INTERESTS IN THEATRES

Famous Players Limited	48.8%

OTHER INTERESTS

Cableshare Limited	50%
Agra Industries Limited	31,673 shares

Canadian Cablesystems Limited
Head Office
120 Adelaide Street West, Toronto

DIRECTORS

Donald S. Anderson
Chairman
Canada Realties Limited
Toronto, Ontario

Donald L. Angus, P.Eng.
President
H. H. Angus & Associates Limited
Toronto, Ontario

Robert W. Bonner, Q.C.
Partner
Bonner & Fouks
Vancouver, British Columbia

John B. Cronyn
Corporate Director
London, Ontario

Claude Ducharme, Q.C.
Partner
Desjardins, Ducharme, Desjardins, Tellier, Zigby & Michaud
Montreal, Quebec

Eugene E. Fitzgibbons
Vice-President, Corporate Development
Canadian Cablesystems Limited
Toronto, Ontario

Anthony F. Griffiths
Chairman and Chief Executive Officer
Canadian Cablesystems Limited
Toronto, Ontario

Arnold J. Groleau
Retired, formerly Executive Vice-President of Bell Canada
Montreal, Quebec

Norman E. Hardy
Vice-Chairman of the Board
John Labatt Limited
London, Ontario

John D. Harrison, Q.C.
Partner
Harrison, Elwood
London, Ontario

Edwin R. Jarmain, P.Eng.
President
London Cable TV
London, Ontario

W. Edwin Jarmain, P.Eng.
President
Canadian Cablesystems Limited
Toronto, Ontario

W. Kelly Jarmain
President
Jarmain Cableholdings Limited
London, Ontario

Charles S. MacNaughton
Chairman of the Board
Fry Mills Spence Limited
Toronto, Ontario

Thomas E. Nichols
Retired, formerly Publisher of "The Hamilton Spectator"
Dundas, Ontario

OFFICERS

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Chairman and Chief Executive Officer

W. Edwin Jarmain
President

Anthony D. Gooch
Vice-President, Finance

Eugene E. Fitzgibbons
Vice-President, Corporate Development

Albert Gnat
Secretary

Charles A. Latimer, C.A.
Treasurer

CORPORATE STAFF

Frank L. Eberdt
Director of Marketing

Nicholas F. Hamilton-Piercy, P.Eng.
Director of Engineering

H. J. Vander Laan
Director of Technical Operations and Personnel

Graham W. Savage
Director of Investment Planning

SYSTEM MANAGEMENT

Bernard Bertrand
Vice-President and General Manager
Cornwall Cablevision
Cornwall, Ontario

T. W. Ross Dryden
General Manager
Kingston Cable TV Limited
Kingston, Ontario

Lorne F. McFadden
Vice-President and General Manager
Pine Ridge Cable TV
Oshawa, Ontario

Donald A. MacAlpine
Vice-President and General Manager
London Cable TV
London, Ontario

Lee Martini
Executive Vice-President and General Manager
Hamilton Co-Axial
Hamilton, Ontario

James A. Yardy
Vice-President and General Manager
Jarmain Cable TV
Brantford, Ontario

S. George Richards
General Manager
Chatham Cable TV Limited
Chatham, Ontario

Udo Salewsky
Executive Vice-President and General Manager
Grand River Cable TV
Kitchener, Ontario

Colin D. Watson
President and General Manager
Metro Cable TV
Toronto, Ontario

Mary L. Blackwell
General Manager
Jarmain Cable TV
Newmarket, Ontario

AUDITORS

Price Waterhouse & Co.

TRANSFER AGENT

Montreal Trust Company

REGISTRAR

The Royal Trust Company

EXCHANGE LISTINGS

The Toronto Stock Exchange
The Montreal Stock Exchange

STOCK EXCHANGE SYMBOL

CAB

BANKERS

Royal Bank of Canada
Canadian Imperial Bank of Commerce


POLICE REFORM